Pulaski Bank

Date: October 27, 2009
To: Federal Reserve Bank
From: Matthew A. Locke, President-Pulaski Bank Mortgage Lending Division
Subject: Regulation Z; Docket No. R–1366

I am writing to urge the Federal Reserve Bank to use restraint and caution in making regulation changes to the compensation paid to banks and loan officers for the origination of mortgage loans. I am concerned that widespread and broad changes could have a detrimental effect on the end consumer. There is strong likelihood that the end consumer, whom you are trying to protect, will end up paying additional interest over the life of their loan as a result of paying a higher interest rate due to additional regulations and restrictions. I am concerned that additional regulations will create an uneven playing field for smaller community banks versus the larger national banks. At this point in time a vast majority of all mortgage loans are ending up with government owned entities anyway as even the large scale national banks are passing their loans to Freddie, Fannie, and Ginnie Mae. I do believe that some additional disclosures and changes to the origination process are needed and necessary but suggest that these changes be applied to all lenders thereby creating a level playing field for all competitors.

Pulaski Bank is a community bank headquartered in St. Louis Missouri with a strong mortgage presence in the Midwest. We have originated over 7 billion dollars in mortgage loans over the past five years with over 2 billion dollars originated in the past twelve months alone. We feel strongly that we have taken care of our customers over the years by offering them quality service and competitive rates. The reason we have been able to accomplish this is due to eighty-five commissioned-based mortgage loan officers who have originated loans in conjunction with the bank. Every mortgage lender in the country can look back on loans originated in the past five years and see errors made as a result of poor underwriting tolerances. Many of the underwriting concerns including minimum credit scores, down payment, and the ability to repay the mortgage have been fixed at this time. The loans being originated at this time should perform much better going forward.

We endorse openness and transparency in the mortgage lending area and desire that all consumers fully understand the complicated mortgage loan transaction. My entire commissioned-based loan officer team wants clear and basic principles to be implemented broadly, fairly, and consistently throughout the entire industry. I don't feel that restrictions on loan officer compensation will accomplish these goals. I urge you to establish a widespread panel to look closely at what the proposed regulations will accomplish and whether or not they will really protect the consumer. There are documented widespread abuses in the mortgage lending industry in the past and the individuals associated with them should be dealt with accordingly. My concern is that continued widespread regulations will have a harmful affect on the strong remaining players in the mortgage loan industry. Thanks for taking the time to allow public comment on this important issue affecting our industry.

Sincerely,

Matthew A. Locke
President
Mortgage Lending Division

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